

Unapproved Minutes
Utah Charter School Finance Authority
Thursday, July 21, 2016
Treasurer's Office Large Conference Room, State Capitol Suite 170

Members of the Authority Present:

David Damschen (State Treasurer) (Chair)
Phil Dean (Governor's Office of Management and Budget)
Scott Jones (State Board of Education)

Others Present:

Bruce Williams (Zions Public Finance)
Jon Bronson (Zions Public Finance)
David Robertson (Lewis, Young, Robertson & Burningham)
Clint Biesinger (Verapath Global Investing)
Erin Preston (Lear & Lear)
Royce Van Tassell (UAPCS)
Mike Burke (Utah State Treasurer's Office)
Kirt Slaugh (Utah State Treasurer's Office)
Joel Wright (Kirtan and McConkie)
Eric Hunter (Chapman & Cutler)
Ryan Warburton (Ballard Spahr)
Jacob Carlton (Ballard Spahr)
Blanca Estrada (State Charter School Board Staff)
Jennifer Lambert (State Charter School Board Staff)
Reed Stringham (Office of the Attorney General)
Howard Headlee (Utah Bankers Association)
Camille Anderson (Utah State Treasurer's Office)
Justin Riggs (Ronald Wilson Reagan Academy School Director) (via conference call during agenda item 6)

Meeting called to order by Mr. David Damschen at 10:08 a.m.

1. Approval of Minutes

Motion was made by Mr. Scott Jones to approve the minutes of the Authority's January 19, 2016 meeting. Motion was seconded by Mr. Phil Dean. Minutes were approved unanimously, with Mr. Damschen, Mr. Jones and Mr. Dean all voting in favor. None voted in opposition.

2. Discussion

Mr. Damschen laid out the context for the discussion. Mr. Damschen mentioned that Utah is a AAA-rated state, one of only 10 states with this rating, and mentioned that traditionally Utah has always been a leader and exemplar of best practices. Mr. Damschen wanted to make clear that the Authority is the issuer of bonds, and emphasized that applicant charter schools borrow the proceeds. The Authority is the direct participant in the public municipal bond market. Mr. Damschen also highlighted the importance of the role of the Municipal Advisor (MA) in ensuring an efficient bonding transaction.

2a. Mr. Reed Stringham (AG) addressed the legal authority possessed by the UCSFA to issue an RFQ for municipal advisors prequalified to serve Utah charter schools making application for financing through the Authority. Mr. Stringham affirmed that UCSFA does have the legal authority to act in such capacity. He cited Utah Code 53A-20b-103 and -104, mentioning that specifically within section 104, broad latitude is given the Authority to create a competitive, transparent, and efficient framework for transactions financed through the Authority. He mentioned that in some states, singular providers are pre-selected by conduit issuers for their borrowers, but that Utah has elected to allow competition from a group of qualified firms rather than select one firm. Mr. Damschen clarified that schools are restricted in using MAs from the list of prequalified firms, only for transactions in which the state of Utah is selected as the conduit issuer. Utah charter schools may choose to use other conduits in the state, should they choose to do so.

2b. Mr. Damschen explained the history behind the selection of bond counsel and special issuer's counsel, and explained that the Authority would like the option to eliminate redundant costs when appropriate by having the latitude to consider not having special issuer's counsel appointed on certain transactions, should it be deemed prudent to do so. He mentioned that the creation of pre-qualified bond counsel might facilitate certain transactions being completed without special issuer's counsel. Mr. Stringham mentioned that it had been suggested that the RFSQ process that selected prequalified firms for bond counsel did not include requirements for malpractice insurance, which he stated was not true. He further explained that the RFSQ created a pool of prequalified firms for both bond counsel and issuer's counsel. He explained that there are requirements for malpractice insurance in order to be issuer's counsel, so by default any prequalified firm for bond counsel must also have malpractice insurance, and stated that in the case of the three current prequalified firms, all three carry malpractice insurance.

Mr. Wright (Kirtan McConkie) asked about the coverage amounts of the malpractice insurance for the current prequalified firms. Mr. Stringham mentioned that he didn't know, but would address the question of having a minimum amount requirement. He mentioned that, based on an assessment of some other states' policies for procurement of bond counsel services, some do carry a minimum amount requirement and some do not. He mentioned that for those who require minimum amounts, those instances were for direct solicitation of bond counsel and not just for creating a prequalified list. He mentioned that in this multi-step procurement process which is only initiated by the RFSQ, charter schools can evaluate the amount of malpractice insurance as a factor in their selection of bond counsel. He mentioned that the school's Municipal Advisor and borrower's counsel should be able to advise on what the acceptable amounts should be.

Mr. Damschen commented that while the Authority is always open to making changes to prequalification standards, the focus of the RFQ (or RFSQ) process has always been on finding providers with a high degree of specialized, professional experience and competence and that the insurance requirements are not necessarily a primary consideration.

2c. Mr. Damschen discussed that it had been asserted that a Utah charter school's MA is in an adversarial position relative to the Authority in bonding transactions, and that this raises a problem with the Authority prequalifying firms. Mr. Bronson (Zions Public Finance) began his assessment of this question by citing the Security and Exchange Commission's Municipal Advisor rule adopted in July of 2014. Mr. Bronson explained that once a charter school borrower has selected a governmental entity to be a conduit issuer, that borrower becomes an "obligated person" under the rule. Under the rule once

this occurs, only a municipal advisor registered with the SEC and MSRB can provide advice to the borrower on a financing. Mr. Bronson pointed out that the MA rule does not require the borrower's MA and the issuer's MA to be different. Mr. Bronson asserts that since whole reason for the rule is to create a framework that eliminates conflicts of interest among the participating professionals in the transaction, the fact that the rule does not require the issuer's advisor and borrower's advisor to be different suggests that the SEC does not see a conflict of interest between the issuer and borrower, and likewise that there is not an adversarial relationship between the borrower and issuer. He suggests that any conflicts of interest would only be manifest after the transaction, related to post-issuance compliance issues, but in the inception of the transaction, the interests of the borrower and issuer are aligned. He further cites other conduit issuers that all have requirements for their participating borrowers and notes that in all situations "the issuer is always in charge". Mr. Bronson highlighted that the RFQ was brought about by Treasurer Ellis in the past as a way to bring down the cost of issuance for charter schools, to ensure the level of professional competence provided to charter schools, and to increase competition and transparency in charter school finance.

Mr. Wright asked Mr. Bronson whether or not all prequalified MAs would have to pass the MSRB exam. Mr. Bronson affirmed that this is a pending requirement for registration. Mr. Wright then asked if each of the Financial Advisors have passed that exam. Mr. Bronson explained that the actual exam has not been released yet, nor is the exam yet required for registration, and that each of the MAs at Zions Public Finance had taken a preliminary exam and passed, but that the required exam has not yet been released. Mr. Wright asked if we needed to ask the applicants to the RFQ if they had passed this exam. Mr. Damschen explained that the past RFQ had required registration with the MSRB and SEC and that the new RFSQ would do the same, and that since passing exam was part of the requirements for registration, that this requirement obviously would need to be met once the exam requirement becomes effective.

2d. Mr. Damschen addressed an assertion that has been made that inadequate competition exists among charter school MAs in Utah. He illustrated that prior to the RFQ in 2013 (which pre-qualified three MAs including Lewis, Young, Robertson & Burningham, R.W. Baird, and Verapath), there was one MA that handled approximately 80% of all charter school finance transactions of the Authority. He commented that during that period no complaints were made about inadequate competition for Municipal Advisor. He further mentioned that once Lewis Young and Verapath entered the market, there has been roughly a 50/50 split of deals being awarded to each of those advisors, clearly indicating improved competition due to the RFQ. Mr. Damschen also mentioned that prior to the RFQ, the municipal advisors serving the charter school community tended to always work with the same underwriter on most deals, calling in to question the adherence to fiduciary obligations exhibited by those advisors. He explained that, conversely, post-RFQ there is strong and growing diversity in the underwriters selected by the prequalified MAs, suggesting faithful exercise of the MAs' fiduciary duties on the part of MAs pre-qualified through the RFQ.

Mr. Damschen discussed that since the release of the RFQ, MA fees have been roughly cut in half. Further, due to the enhanced professionalism of pre-qualified MAs that are leading appropriate bidding processes for underwriters, underwriter spreads also have dropped – even more so than MA fees, in some cases by approximately 2/3. Mr. Damschen also emphasized that the RFQ is not all about selecting the lowest cost provider and that total value is considered in everything the Authority does as well as in the Treasurer's Office.

Mr. Robertson (Lewis Young Robertson and Burningham) commented that using a Municipal Advisor is a best practice and that in instances where he is able to competitively bid the other professionals on the transaction including underwriter, bond counsel and borrower's counsel, he is able to secure much more reasonable fees and best performance for the charter school. He further commented that when he is "brought in first," he is able to achieve much lower fees through competitive procurement vs. when he is "brought in last" after the other professionals' fees have already been set with the charter school. Mr. Bronson states that this is why under the MA rule the Municipal Advisor is the only one able to advise a charter school on financing the transaction to ensure that procurement is not circumvented by other professionals intent on maintaining higher fees. Mr. Dean asked for clarification on how many pre-qualified firms are active in charter school finance. Mr. Bronson confirmed that three firms are pre-qualified, but only two have been active in pursuing opportunities as MA. Mr. Damschen commented that he expects 3 to 5 firms to respond and become pre-qualified through the upcoming RFSQ.

Mr. Biesinger added comment that most charter schools have little or no experience with municipal finance, and do not employ municipal finance experts and therefore having a good municipal advisor is paramount in ensuring bonding transactions that will be additive to the charter school's financial health long term. Mr. Damschen further clarified that MA's are held to a fiduciary standards, while underwriters are held only to a "fair dealing" standard, and pointed out that these standards are not the same.

2e. Mr. Damschen commented that post-issuance compliance is a concern of the Authority and that there have been some compliance breaches in the past. He suggested that charter school board members are ultimately responsible for compliance and we have an obligation to train, help and provide tools to help the charter schools maintain compliance. Mr. Damschen mentioned that the Authority is looking at technology (i.e. "PIVOT") such as is offered by U.S. Bank aid charter schools and the Authority in monitoring post-issuance compliance with bond covenants. Mr. Jones asked if we should consider limiting charter schools to one trustee given that U.S. Bank has the proprietary technology to help in this regard. Mr. Damschen commented that he didn't know but that this was something that should be considered. He mentioned that since the Treasurer's office does have a small staff we need to leverage technology as best we can but that this question is still being evaluated.

2f. Mr. Damschen provided background on the Bond Counsel RFSQ. Mr. Damschen presented a document from the packet from the Attorney General's office with a suggested communication notice announcing the results of the Bond Counsel RFSQ. Mr. Damschen asked for comments or questions on the proposed notice. No comments were made.

2g. Mr. Damschen presented the draft of the MA RFSQ. He commented that the Authority was well aware of the expiration of the RFQ and that extenuating circumstances had prevented the re-release of the RFQ in a timely manner. Mr. Damschen mentioned that the RFSQ would still need to be sent to Purchasing for review.

3. Public Comment

Mr. Wright opened the public comment section. Mr. Wright commented that he supported competition, and that his role as borrower's counsel had been one area most affected by increasing competition. Mr. Wright mentioned that he has seen his fees decrease from approximately \$40,000 per transaction to \$15,000 per transaction. He mentioned that there are now five firms competing for

borrower's counsel with no help from the Authority. He then commented that there are only two firms competing for Municipal Advisor, that while fees have come down, there are only two competing firms. He suggested that rather than doing periodic RFQ's, charter schools would be better served by the Authority adopting standards and that MAs wishing to become a municipal advisor should be able to compete at any time after the Authority verifies compliance to these standards, and that these standards should be debated openly in various places.

Mr. Wright then commented that only two firms have served as bond counsel, and suggested that the current RFSQ is too restrictive on who can serve as bond counsel, which unfairly limits competition. Mr. Wright then suggested that malpractice insurance should be an important part of the selection criteria for bond counsel.

Mr. Wright asked if anyone had verified the malpractice insurance of the three firms prequalified as MAs. Mr. Stringham commented that the AG's office was not involved with the RFQ for municipal advisor. Mr. Damschen responded that malpractice insurance was a scored part of the RFQ but that the focus of the RFQ was on competence and experience, not on insurance. Mr. Wright then asserted that since the Authority had scored the criteria for malpractice insurance, it had created a standard for malpractice insurance. Mr. Jones then asked "what problem are we trying to solve?" with regard to verifying malpractice insurance. Mr. Wright went on to explain that he believes that the State has increased its liability by qualifying firms that have inadequate malpractice insurance.

Mr. Damschen responded that indeed part of the fee reduction on borrower's counsel should be attributed to the RFQ since municipal advisors are now competitively bidding this service while previously this was not done. Mr. Wright disagreed.

Mr. Damschen then asked if Mr. Wright is registered with the SEC or MSRB as a municipal advisor. Mr. Wright commented that he is not, but that he is a member of the Utah Bar Association, and that as such he believes he is "free to give clients advice on all topics. There is no restriction".

Mr. Wright resumed the topic of malpractice insurance stating that the State had not verified malpractice insurance of the qualified firms. Mr. Damschen corrected Mr. Wright saying that this was presupposed since it was only established that we didn't have the information to verify that within this meeting.

Mr. Wright then asked if qualified MAs are allowed to outsource part of their services. Mr. Damschen responded that the RFQ states that if firms outsource part of the service they must first get approval from the Authority. Mr. Wright asked if this has happened in all instances in the past. Mr. Damschen acknowledged that it has not, but that since this issue was raised in an email to the Authority on the previous evening this was not something that was on the agenda and the Authority would need to convene another meeting to discuss these concerns. He further asked Mr. Wright to limit his questions to the subjects on the agenda.

Mr. Wright went on to assert that he believes there is inadequate competition for municipal advisor and bond counsel and that he feels that he was disqualified from being bond counsel because of an "obscure rule", and that he believes the RFSQ was not to GFOA standards. Mr. Damschen countered that while this would be up to the Attorney General's office to explain, that his understanding was that Mr. Wright's responses were ineffective and that the responses were "muddled and unclear". Mr. Jones

asked whether Mr. Wright's firm would be allowed to compete in the next round of the RFSQ and Mr. Wright affirmed that they would.

Mr. Wright concluded his remarks asking for more competition and for a more open process in creating the standards for prequalification.

Mr. Headlee (Utah Bankers Association) stated that he is not comfortable with current levels of competition. Mr. Damschen thanked Mr. Headlee for his comments and responded that we expect to have three to five municipal advisors qualified in the next RFSQ which would be more active advisors than Utah has ever seen.

Mr. Damschen then acknowledged that there are limited numbers of firms in Utah that can provide safe harbor to the state when selecting bond counsel. Mr. Dean asked what the Authority's role would be in selecting bond counsel. Mr. Damschen went on to explain that bond counsel represents the issuer and that the Authority should therefore "weigh in" on the RFSQ requirements, and reaffirmed that by helping in the selection of bond counsel this will give the Authority the opportunity to further reduce fees by not requiring special issuer's counsel in some situations.

Mr. Biesinger added comment that this process, while still under construction, has been additive to charter schools and that schools have been greatly advantaged by the process. He also stated that the value that the Municipal Advisors bring, helps the underwriter to bid more competitively.

Mr. Robertson added comment that having a long list of prequalified firms does not necessarily provide any advantages to charter schools, that there are limited numbers of specialists that can provide quality advice. Mr. Robertson stated that he believes there is adequate competition for municipal advisor.

Mr. Headlee commented that he would hope that the Authority would continue to be committed to reducing costs and would like the Authority to consider additional modifications as a phase two to continue to reduce costs to the charter schools.

Mr. Dean asked Mr. Headlee if he had any suggestions to further reduce costs. Mr. Headlee declined further comment stating there would be a better time and place to discuss those options.

Mr. Damschen commented that as an indication of the Authority's best practices, he had been asked to present at a LISC symposium on the state's credit enhancement program. Mr. Damschen further stated that he had received anecdotal comments from underwriters suggesting that what the Authority is doing is bringing pressure on fees.

4. Consideration and Approval

4a. Mr. Damschen asked the Authority to consider adopting the outcome of the Bond Counsel RFSQ as completed by the Office of Attorney General and to send the suggested correspondence to charter schools. Mr. Jones asked whether the Authority had sufficient input from stakeholders in the RFSQ process. Mr. Stringham clarified that the RFSQ was prepared in-house with input from the Treasurer and based also on evaluation of similar procurements in other states and procurements done previously for special issuer's counsel. Mr. Wright commented that he believed other Bond Counsel RFSQs included requirements for malpractice insurance while this RFSQ did not, and contained a disqualification for not having in-state counsel which he insisted was not consistent with procurements done in other states. Mr. Stringham responded that Mr. Wright's assessments were not correct. Mr.

Damschen suggested that Mr. Wright meet with Mr. Stringham to clarify what he does not understand about the process. Mr. Stringham affirmed that these meetings had occurred on multiple occasions. Mr. Wright denied these meetings took place. Mr. Damschen commented that when it was time to refresh the RFSQ that the AG would be happy to get input on the process from Mr. Wright. Mr. Stringham further stated that Mr. Wright had not provided objection during the appropriate public question and issue period following the RFSQ as allowed by law. He stated that objections were only made after the legal public question and issue period.

Mr. Dean asked for clarification on the suggested correspondence to charter schools regarding language unrestricting the selection of borrower's counsel. Mr. Damschen clarified that since the borrower's counsel is a different skill set, the RFSQ was never meant to restrict borrower's counsel.

Mr. Dean asked for clarification on the motion that should be made, given that the RFSQ had already been approved by the Attorney General. Mr. Damschen clarified that the motion was a formal step to adopt the procurement done by the Attorney General. Mr. Jones suggested he would like further discussion before making a motion to address any public concerns. Mr. Jones proposed a motion to wait until the next meeting to formally adopt the results of the RFSQ and to hold off on sending the correspondence on the RFSQ to charter schools until after the following meeting to allow more time for public input. Mr. Dean asked whether this would mean that no deals could be approved until after those standards were adopted. Mr. Damschen commented that waiting to approve applications could be costly to the charter schools and that this stance would not be ideal. Mr. Biesinger made comment that the work on the Resolution 2016-2 had already been done so waiting to approve this particular transaction would not be additive to the process and would subject the school to risk of rising interest rates. Mr. Damschen further clarified that the procurement is complete and that it was not its intent that the Authority should second-guess the work of the Attorney General's office.

Mr. Jones then withdrew his previous motion, then motioned adoption of the RFSQ results and for approval of the suggested correspondence regarding the RFSQ results to charter schools. Mr. Dean seconded the motion. Vote was taken and the motion was approved unanimously by Mr. Jones, Mr. Dean and Mr. Damschen. There were no opposing votes.

4b. Mr. Damschen asked for consideration of a motion to review, revise and release a new RFSQ for prequalification of MAs to charter schools. Mr. Dean asked how long this process would take to finish the process and release the RFSQ. Mr. Damschen responded that it would take one or two weeks to finish and then two to four weeks for responses from municipal advisors. Mr. Damschen proposed that Mr. Jones, Mr. Slauch (Chief Deputy Treasurer), and Mr. Williams or Mr. Bronson (Zions Public Finance) to serve as the evaluation committee.

Mr. Biesinger suggested a longer response period of four to six weeks.

Mr. Headlee asked about what type of effort has gone into the RFSQ, and what type of public input has been considered in the drafting of the RFSQ. Mr. Damschen commented that we had asked for input from participants in the market on key provisions of the RFSQ. Mr. Headlee asked if the Authority had considered waivers on the fee caps for large deals. Mr. Bronson commented that he believed the fee cap at \$5 per bond was a very good MA fee in today's market. Mr. Headlee stated that he didn't know but was resistant to having fee caps so that he does not hamper his ability to secure the best advice, and that having fee caps tied to the RFSQ could be problematic.

Mr. Damschen acknowledged that on the UCA transaction, he did not believe that the RFQ requiring a prequalified firm was additive to the process because of the timing on when the prequalified MA was brought into the transaction. Mr. Headlee stated that his comments were based on broader factors than this one transaction, and stated that he had a broader philosophical objections to the notion of tying fee caps into the RFSQ because of problems that he believes this may create. He suggested that since the qualification standards create flexibility for smaller deals with regard to the fee cap, that similar provisions could be made for larger deals. Mr. Damschen responded that typically since the fee cap is based on the size of the transaction, that larger deals should not require municipal advisors to charge more than the \$5 per bond fee cap. Mr. Bronson further clarified that the state is charged less than \$1 per bond for the large bonding transactions for which Zions advises the state, providing further evidence that the fee per bond should be less on larger transactions and not more. Mr. Damschen then suggested that in certain circumstances perhaps the Authority could consider making exceptions for certain types of complex transactions. Mr. Headlee stated that on a particularly complex transaction that he had approached the prequalified MA's but that there was only one person in the country that knew how to structure the particular deal that he wanted to pursue, and this adviser was not on the prequalified list. Mr. Robertson and Mr. Biesinger denied that they had been approached on that deal.

Mr. Damschen and Mr. Headlee discussed how an exception process to the fee cap might be practically implemented. Mr. Jones suggested that perhaps based on the concerns that had been raised that the Authority should consider putting the RFSQ out for a comment period prior to releasing for responses. Mr. Damschen suggested that the Authority could release an RFI prior to the release of RFSQ as a process to gather feedback and comments from the public.

Mr. Dean made a motion to take the current draft of the RFSQ and release it as an RFI for two weeks, and to take the feedback received during the RFI back to the Authority for consideration before finalizing the RFSQ for release. Mr. Jones seconded the motion. Vote was taken and the motion passed unanimously with Mr. Jones, Mr. Damschen, and Mr. Dean voting for the motion. No votes were made in opposition.

5. Discussion and Approval

A bid to put out a website of the Authority was discussed by the board members. Questions were raised by Mr. Dean about the funding source for the website and the budget source was identified. Mr. Dean made a motion to move forward on the creation of a website based on the proposal given by DTS. Mr. Jones seconded the motion. Motion passed unanimously with Mr. Damschen, Mr. Jones and Mr. Dean voting in favor and no votes were made in opposition.

6. Resolution 2016-2

Mr. Williams (Zions Public Finance) presented his financial analysis and recommendation for the application of Ronald Wilson Reagan (Reagan) Academy. Mr. Williams stated that Reagan operates in Springville, UT and has been in operation since 2005. Reagan enrolls students in grades K through 8 and has current enrollment of approximately 675 students. No intention has been indicated to increase enrollment. The school will use bond proceeds to refund a 2007 bond issue as well as use \$1.5 million for additional improvements. The borrower is not seeking credit enhancement. Security for the bond is provided primarily from ongoing revenues and secondarily from collateral (school building and land).

Mr. Williams' analysis included examination of pro-formas of future revenue and expenditures. The conclusion of the analysis is that Mr. Williams is comfortable that the revenue and expense projections will cover the debt service. Mr. Williams added that the waiting list for enrollment is "adequate but not stellar". He further stated that enrollment has been stable for some time at around 675 students. Revenues are expected to increase at the rate of 3% per year due to increases in the WPU plus additional increases from local replacement funding due to the passing of SB 38.

Mr. Williams further explained the results of his analysis. He explained that the debt structure includes an expected par amount of \$12,340,000. TIC is estimated to be 4.7%. Net debt service payments would be less as compared with current debt service. Current bond rating is BB+ and a similar rating is expected on this issue. No short calls were included in the debt structure because the school doesn't intend to qualify for credit enhancement anytime soon. Debt coverage ratio is 1.6x, which is a factor in not receiving credit enhancement. After the refunding, coverage ratios increase based on growth factors, including additional revenues from the adoption of SB38. By 2017, coverage ratio is expected to be 1.72 and should be maintained through 2020. Working capital reserve is at 18%, debt service burden ratio is at 16%, which is within an acceptable range, and days cash on hand is at 59 days, which is somewhat low.

Mr. Williams further commented that debt service costs are on the higher side. He stated that the underwriter spread will be \$12/bond, which is higher than other recent transactions of similar size. Total cost of issuance is at 3.3%, which he stated is also on the higher side as compared with recent non-credit enhanced deals of similar size and rating.

Mr. Wright commented that the favorable rate environment made this as good as a credit enhanced deal. Mr. Robertson disagreed, stating that the reason for doing the financing now was because they would not qualify for credit enhancement nor would they expect to in the near future and with current rates very favorable it made the most sense to lock in rates now.

Mr. Carlton (Ballard Spahr) provided a summary of the bond resolution. Mr. Carlton noted that the resolution set a TEFRA hearing for the date of August 16, 2016.

Mr. Robertson noted that although the fees are high, he was not involved with the transaction from the beginning to be able to help in the procurement of the underwriter or other professionals to be able to reduce fees. Mr. Wright commented on the complexity of the transaction and justification for the fees that were charged.

Mr. Damschen asked Mr. Riggs (joining via conference call) about the process that was used in selecting an underwriter.

(Transcription)

Mr. Justin Riggs "Yeah, we worked with DA Davidson before on bonds before we discussed with the board you know several options; the ones that they chose. They came and met with us at a board meeting to go over the presentation, and that's how they were selected".

Mr. Dean asked to clarify how much higher the fees were than similar issues. Mr. Williams commented that a similar issue was priced at \$8.22 per bond as the underwriters spread as compared with \$12 per bond on Reagan.

Mr. Bronson commented that this highlights the importance of having the financial advisor (MA) involved in the selection of the underwriter.

Mr. Wright added context on the cost of the transaction by providing background on the relationship between Reagan and the underwriter in securing ratings. Mr. Biesinger cited a similar issue that he had worked on recently in which he had received a bid from DA Davidson for a spread of \$8 per bond.

Mr. Dean asked Mr. Williams about the two biggest risks on the deal. Mr. Williams responded that the two biggest risks were not being able to maintain current enrollment, and risks to increases in revenue per student. The transaction was further discussed briefly by the Authority.

Mr. Jones made a motion to approve the application corresponding to Resolution 2016-2. The motion was seconded by Mr. Dean. Vote was taken and the motion passed unanimously with Mr. Damschen, Mr. Jones and Mr. Dean voting in the affirmative to approve, with no votes in opposition.

7. Schedule Next Meeting

August 16, 2016 at 3:00 p.m. was identified as a tentative date and time for the Authority's next meeting.

8. Other Items of Business

No further business was noted

Motion was made by Mr. Dean to adjourn.